



**NASFAM**

**STRENGTHENING PROJECT (NSP)**

**MALAWI**

# **Annual Report**

**October 2001 - September 2002**

Report No. 8

*Cooperative Agreement No.*  
**690-A-00-00-00172-00**

*Prepared for:*  
**USAID/MALAWI**

*Prepared by:*  
**ACDI/VOCA**  
**50 F Street, NW, Suite 1100**  
**Washington, DC 20001**  
*Telephone: (202) 638-4661*  
**Facsimile: (202) 626-8726**

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- Summary of Associations' Annual Financial Reports

# 2001-2002 Annual Report

## NASFAM Strengthening Project

### List of Acronyms



ACDI/VOCA	Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance
ADA	Agribusiness Development Advisor
ADC	Agribusiness Development Center
ADMARC	Agricultural Development and Marketing Corporation
AFM	Association Field Manager
AFO	Association Field Officer
AFSU	Audit and Financial Systems Unit
AGM	Annual General Meeting
BASFA	Balaka Smallholder Farmers' Association
BOD	Board of Directors
BOPs	Business Operations
CPMM	Crop Production and Marketing Manager
DANIDA	Danish International Development Agency
DEO	Data Entry Officer
EPA	Extension Planning Area
FCL	Full Container Load
GAC	Group Action Center
GM	General Manager
HRDU	Human Resource Development Unit
IB	Intermediate Buyer
MAC	Marketing Center
MAI	Ministry of Agriculture and Irrigation
MISU	Management Information Systems Unit
MK	Malawi Kwacha
MOPs	Marketing Operations
MRFC	Malawi Rural Finance Company
MSA	Management Systems Advisor
MSB	Malawi Savings Bank
MUSCCO	Malawi Union of Savings and Credit Cooperatives
NASCENT	NASFAM Center for Development
NASCOMEX	NASFAM Commodity Marketing Exchange
NASDEC	NASFAM Development Corporation
NASFAM	National Smallholder Farmers' Association of Malawi
NBM	National Bank of Malawi
NORAD	Norwegian Aid
NRR	NASCOMEX Regional Representative
NSP	NASFAM Support Project
PPU	Policy and Programs Unit
PROSCARP	Promotion of Soil Conservation and Rural Production
QGM	Quarterly General Meeting
SADP	Smallholder Agribusiness Development Project
SAPU	Sustainable Agricultural Production Unit
TS	Technical Specialist

## Project Year Highlights


October 2001- September 2002

- ❑ NASFAM reorganized its field structure by closing all ten ADCs and forming twelve Association Management Centers. Three Regional Offices have been opened, staffed by auditors, management advisors and NASCOMEX sales representatives.
- ❑ At the December 2001 Annual General Meeting, the General Assembly approved the resolution transforming NASFAM into three companies. NASDEC, NASCOMEX, and NASCENT are registered under the Companies Act.
- ❑ Farmer membership grew modestly to 95,322. Note that NASFAM's membership in 1997 (year of incorporation) was 18,759. All Associations have been audited, and have presented annual financial reports at their AGMs. All Associations have made surpluses every year for the past five years and this year was no exception.
- ❑ NASFAM Associations (rice, groundnuts, paprika, cotton, chili) made great strides this year by increasing combined crop sales volume from 920 metric tonnes last year to 1,641 metric tonnes this year - a gain of 80% of volume marketed.
- ❑ The NASFAM logo is now found on Lilongwe supermarket shelves for the first time as the new Karonga rice-marketing program successfully opened this year with sixty metric tonnes of polished rice sold by NASCOMEX through retail and wholesale arrangements.
- ❑ NASFAM has a three-way partnership with a South African company and a Blantyre company for the direct importation of 9,500 metric tonnes of fertilizer on a consignment basis under the NASFAM logo. To date, 3880 mt of fertilizer valued in excess of \$1 million have been delivered to Associations. Cash sales to date of 2,406 mt valued at \$633,000 have exceeded all expectations.
- ❑ The number of Association farm supply shops has increased from 8 to 32 this year, making this commercial activity the second most profitable in NASFAM after commodity marketing. The fertilizer program has started a boom business at most Association stores.
- ❑ The NASFAM training department conducted twenty-three NASFAM courses this year with 568 participants (25% female) focusing on Association leadership and field staff training. The very popular Adult Literacy and Numeracy Training Program was completed this year having trained 12,824 member farmers – of which 10,816 or 84% were female - in over 400 five-month long courses in all three regions.
- ❑ Employees on Association payroll increased to 189 representing over 70% of all NASFAM employees – including NASDEC, NASCOMEX and NASCENT which employs 85 staff members, down from 123 employees a year ago.

# **NASFAM's Benchmarks**

## **For Growth and Development**

### **1997 to 2002**

- 
- ❑ July 1997                      National Farmers' Conference passes resolution to form a national smallholder farmers' association. Steering committee elected. Membership starts with 12 associations and 18,759 farmers.
  - ❑ November 1997              General Assembly formed as the “supreme body” of NASFAM. First Board of Trustees elected.
  - ❑ December 1997              National Smallholder Farmers' Association of Malawi (NASFAM) selected as official association name. NASFAM logo approved. OPC approves use of “Malawi” in name.
  - ❑ February 1998                NASFAM registered under the Trustees Incorporation Act. “SADP out-NASFAM in”. All letterhead, office signs and all other “SADP Project ” insignia changed to NASFAM
  - ❑ September 98                Membership increases to 17 associations and 33,821 farmers – a 107% growth increase.
  - ❑ June 1999                      Dyborn Chibonga employed by Board of Trustees as the NASFAM General Manager. Tamanda Chidzanja re-contracted as the Deputy General Manager – Field Operations. With Board approval, all SADP staff re-contracted under NASFAM contracts.
  - ❑ Aug 1999                      Project Directors John Engle and Tom Carr, and NASFAM Managers, Dyborn Chibonga and Tamanda Chidzanja form the “Executive Committee” for joint decision-making and consensus building.
  - ❑ July 1999                      EU-PROSCARP signs first of several grant agreements with NASFAM. Second donor buy-in after USAID. Contract ends in June 2002.
  - ❑ September 99                Membership increases to 23 associations and 50,088 farmers – a growth increase of 30%. All associations are audited and all made profits. One association returned portion of net surplus to members.
  - ❑ January 2000                DANIDA signs grant agreement with NASFAM becoming the third donor buy-in after USAID and PROSCARP. Contract ends in May 2002 due to inter-government issues.
  - ❑ September 2000              Membership increases to 31 associations and 67,580 farmers - an

increase of 35%. All associations are audited and all made profits. Two associations return portion of surplus to members.

- ❑ October 2000 NORAD signs three-year grant agreement with NASFAM to fund all training programs, build warehouses, replace aging equipment and expand into rice marketing in the southern region. Becomes the forth donor buy-in.
- ❑ October 2000 First NASFAM consolidated annual audit for 1999/00 includes all funding sources - NASFAM, EU, DANIDA, NORAD and USAID.
- ❑ October 2000 First NASFAM consolidated budget for 2000/2001 indicates USAID/NSP level of funding at 39% of total program (from 100%). NASFAM revenues are estimated at 11% of annual budget.
- ❑ October 2000 USAID SADP project ends and the two-year NASFAM Strengthening Project (NSP) starts.
- ❑ September 2001 Membership increases to 34 associations and 93,542 farmers – a growth increase of 38%. All associations are audited and all made profits.
- ❑ September 2001 16% reduction of NASFAM field staff supported through USAID/NSP occurred this year - from 43 staff to 36.
- ❑ September 2001 Nine Associations have constructed their own office/ warehouse/shop structures. Twenty-two market centers have been constructed with Association participation in Zikometso and BASFA.
- ❑ December 2001 NASFAM transforms into three companies by General Assembly resolution. NASDEC, NASCOMEX and NASCENT are registered under the Companies Act. General Manager becomes Chief Executive Officer.
- ❑ January 2002 NASDEC contracts for Association support issued for the first time as ADCs close down. Twelve Association Management Centers formed and NASDEC Managers contracted to, and approved by, Association Boards to run their companies.
- ❑ August 2002 First “complete” Executive Committee meets with all three companies represented.
- ❑ September 2002 First ex-officio members from the Malawi business community join new NASDEC Board of Directors
- ❑ September 2002 Membership continues to increase with 95,322 members. All associations explain audited financial reports at AGMs.

- September 2002      Association employees (189) make up 70% of all NASFAM staff.



## 1. Historical Background



### 1.1 NSP Background

This report covers the second year of the two-year NASFAM Strengthening Project (NSP) – October 1, 2000 to September 30, 2002 - an extension of the Smallholder Agribusiness Development Project (SADP) that focused on the transition of NASFAM into a sustainable business organization. USAID has extended NSP for a third and final year from October 1, 2002 to September 30, 2003.

#### *SADP*

The Smallholder Agribusiness Development Project (SADP I and II) was an expansion of an earlier smallholder project implemented by Agricultural Cooperative Development International – ACDI (February 1994 to August 1995). SADP supported smallholder agribusiness development by (1) improving smallholder access to agricultural inputs and better returns on agricultural sales; (2) supporting smallholder self-reliance and self-sufficiency through improved business know-how; and (3) promoting collective action through commercially sound, farmer-owned associations.

#### *Clubs to Associations*

SADP, and now NSP, works with rural farmer groups, or “clubs”, to develop commercially viable group businesses that are linked to farmer **association** structures through which smallholders realize increasing returns and contribute to economic development through group action. In its first year of operation, SADP transferred the technical know-how to operate successful businesses, and provided linkages to service providers designed to bring about improved and sustainable services to smallholder clubs. As the needs of their farmer members became more apparent, SADP supported smallholder clubs to take collective action to solve problems and to develop more structured associations of farmer clubs to acquire economy of size and collective power of voice. These associations gradually began to develop the capacity needed to carry out the technical services to farmer clubs previously made available through SADP’s technical program.

#### *Associations to National Organization*

Smallholder farmer clubs operate in a highly complex environment that has been in a process of continual change for the past twelve years. This complexity has brought both opportunities-- in the form of greater competition and improved access to cash earnings from specialized crops -- and hardships from greater uncertainty related to inflation, weakening of rural credit, unexpected currency appreciation, and high cost of transport. Smallholders working with the project have chosen to respond to their changing environment through expanded farmer-controlled *associations* that provide the marketing services and

know-how needed by members to handle market and financial complexities. To date thirty-two farmer associations have been formed. These Associations, through their elected representatives, form the foundation of the **National Smallholder Farmers' Association of Malawi (NASFAM)** - incorporated on February 11, 1998.

## 1.2 A Means to an End

Since 1998, NASFAM has grown from the fourteen founding Associations to thirty-two. The early ADC field development system has been closed down, the number of head office and field staff stands at 85 employees- down from 123; the number of staff on Association payroll is 189 (70% of total employees), and farmer membership has grown from 18,700 to over 95,000. USAID was joined by NORAD, DANIDA and EU/PROSCARP in the support of NASFAM. The transition from *project* to *institution* is complete.

But the creation and expansion of NASFAM and its member network *is not* the main thrust of the project – *it is* an effective means to an important end. The NASFAM corporate structure and association network is a tiered *business structure* used to collectively access the individual farmer member  $\Rightarrow$  to deliver commercial services  $\Rightarrow$  to enable the farmer to better manage his/her farm business  $\Rightarrow$  ***resulting in increased family income and food security***.

It is in the result of these *services and programs* delivered through the NASFAM network that the success really lies: the real “end” mission of NASFAM is that our commercial and non-commercial services result in ***increased family income and food security***.

## 1.3 The Scope of Project Impact – How Non-Members Benefit

The NSP/NASFAM program benefits all Malawi smallholder farmers at varying levels and intensities. On the **national level**, impact is achieved through information dissemination via newsletters and the media, and through efforts to improve policies affecting all smallholder farmers. On the **local level, within target areas**, NASFAM and Association staff influence smallholder activities within the entire EPA through joint activities and hands-on training of extension staff, NGOs and other service providers.

In combination with the ‘word-of-mouth’ promotion from member clubs and the associations, there is a spillover to **neighboring EPA farmer clubs** that are beginning to request similar assistance directly from NASFAM field offices. Consequently the project has expanded from the original twelve EPAs to over 58 in a six-year period.

On the **farmer-member level**, Association and NASFAM staff deliver direct technical assistance to motivated farmer clubs through the association/action group structures. In 1996, approximately 200 core farmer clubs, and 4,000 farmers, benefited from technical training and advisory services. Now in 2002, the NASFAM field staff work with 5,105 clubs and over 95,000 farmers through thirty-two farmer-owned associations and pre-associations.

## 1.4 The New NASFAM Structure

**Association Company.** NASFAM has closed the original ten Agribusiness Development Centers located in Karonga, Rumphi, South Mzimba, Kasungu, Lilongwe, Mchinji, Balaka, Namwera, Zomba, and Mulanje. The new “Association Group Company”, registered as a for-profit company under the Companies Act, has taken the place of the ADC, providing independent management systems while introducing an improved and increased range of services.

Each Association Management Center (AMC) is equipped with a double-cab pickup truck, fax/telephones, photocopiers, computers and printers. Each center has an experienced manager who oversees a staff of bookkeepers, data entry officers, warehouse managers, field officers, and support staff.

**Regional Teams Replace ADCs.** The job of providing technical services in the field rests with the three regional teams located in Mzuzu, Lilongwe and Limbe. Each team consists of:

- ❑ Auditor and Financial Systems Advisor
- ❑ Management Systems Advisor
- ❑ NASCOMEX Regional Representative

**Corporate Changes.** The “old” NASFAM had seven departments or *units* that coordinated all of the programs and services through the network to reach individual members. These units have been renamed and assigned to one of NASFAM’s three spin-off companies.

<b>Former NASFAM Unit:</b>	<b>New Company</b>	<b>New Structure</b>
Field Operations	NASDEC	Organization Development Crop Production
Audit and Financial Services Administration/Finance		Audit and Financial Services Administration/Finance
Policy, Advocacy and Communication Information Services Skills Development	NASCENT	Programs and Policy Management Information Services Human Resource Development
Business Development Marketing Development	NASCOMEX	Business Operations Dept Marketing Operations Dept New Operations Dept (proposed)



*Association Representatives discuss the corporate structure*

*before passing the resolution at the AGM in December 2001*

## 2.0 NASFAM Development Corporation - NASDEC

NASDEC is the holding company owned by all NASFAM member Associations which each have Representatives on the General Assembly that meets twice a year at the Annual and General Meetings. Managed by the Chief Executive Officer answerable to a Board of Directors, NASDEC is the home for Association Development Services, Finance and Administration, Audit and Financial Services, and the Sustainable Agricultural Production Program.

### 2.1 NASDEC Representational Structure

#### 2.1.1 NASFAM Board of Directors (BOD)

New elections were held at the 5<sup>th</sup> NASFAM Annual General Meeting (AGM) in December 2001 with four of the eight Directors standing down but eligible for re-election. Mr. A.M Nyasulu was newly elected to Chair the Board.

<u>Directors</u>	<u>Position</u>	<u>Association</u>
Mr. A.M. Nyasulu	Chairperson	Henga Valley
Mr. Esau Mphepo	Vice Chair	Lisasadzi
Ms. A. Chavula	Treasurer	Nkhamanga
Mr. E. Kachola	Secretary	MASFA
Ms. E. Banda		Chamama
Mrs. C. Mfuné		Hewe
Mr. Feston Zgambo		Lwasozi
Mr. Sky Majawa		BASFA

The Board meets four times per year to discuss program issues, determine general policy and to review progress towards goals. The Board plays a very useful role in the start-up of new associations by attending formation meetings, assisting with bylaw development, facilitating group discussion on issues and constraints, and presenting a layman's or farmer/member's view of the association concept.



*New NASDEC Board of Directors includes leaders  
from the Malawi business community*

Directors also attend the AGMs of all member Associations to learn from the experience of others, to provide insight from their own successes and failures, and to assist in monitoring elections and bylaw amendments. It is becoming commonplace for NASFAM Directors to be invited to agricultural workshops and conferences to provide the farmer viewpoint on main agenda topics.

New resolutions were approved at the Annual General Meeting this year inviting four community and business leaders to sit on the Board of Directors. These non-elected ex-officio members have volunteered to serve for one term without compensation and will greatly expand the commercial and decision-making capacity of the Board. The new ex-officio members are:

Mr. Alex Shemu	Norsk Hydro
Mr. W. Guga	Retired, Commercial Bank of Malawi
Stanley Mukwamba	Marketing Manager, Malawi Distilleries
Mrs. R. Kanyuka	Lawyer, Blantyre

## 2.1.2 NASDEC Annual and General Meetings

### *Annual General Meeting*

The NASFAM 5<sup>th</sup> Annual General Meeting took place on 5<sup>th</sup> and 6<sup>th</sup> of December 2001 and had an attendance of 90 Representatives from 30 Associations (3 each). Association managers also attended the AGM for the first time. The Annual Progress Report was presented along with the Annual Financial Report and the NASFAM audit company presented the annual audit report. The General Assembly passed all resolutions required to form and register NASDEC, NASCENT, and NASCOMEX.

### *General Meeting*

The 5<sup>th</sup> General Meeting took place on June 19<sup>th</sup> and 20<sup>th</sup> 2002 at the Natural Resources College outside of Lilongwe. Over 90 Association Representatives attended the meeting to hear management reports and to discuss business and social issues affecting farmers' lives. A new Board member – Mrs. C. Mfunu from Hewe was elected to replace Mrs. Chemenye from Zikometso who had to step down.



*Associations are well represented at the General Meeting held in June 2002*

## 2.2 Executive Committee

For the past three years NASFAM has been self-managed under the directorship of an *Executive Committee*. The committee members are John Engle - NSP Project Director, Thomas Carr – NSP Associate Director, Dyborn Chibonga - NASFAM Chief Executive Officer (CEO), and Tamanda Chidzanja - Chief Operations Officer (COO). The committee has met on a regular basis to form a consensus-based decision making process, to maintain effective communication, and to develop a personable and professional working relationship between NASFAM management and technical advisors.

In September 2002 a new Executive Committee of seven members met for the first time with all three corporate entities represented. In addition to the aforementioned, the committee was joined by Aaron Likupe - Director of NASCENT, Henry Tembo - General Manager of NASCOMEX and Anna Kyumba - Director of Finance. The committee will eventually lose its technical advisors starting with Thomas Carr who is scheduled to complete his contract in October 2002 after 6 ½ years of service. John Engle's contract continues for one more year.

## 2.3 Finance and Administration Department

The Finance and Administration Department is centrally based in NASDEC serving all three corporate companies and the two donor programs USAID/NSP and NORAD. The Department also manages the Trading Fund, Venture Fund, Association Equipment Fund, and accounts for all revenues earned through NASCOMEX and NASDEC. A new accounting package has been approved by the Executive Committee to handle the new corporate structure and increased business volume of NASCOMEX. Starting October 2002, the CODA package procured through Unipro (Malawi) Ltd. will be installed and implemented. The Administration Unit is responsible for property management, personnel, vehicles, and procurement for all three corporate entities.

### 2.3.1 Director of Finance and Administration

Chartered accountant Ms. Anna Kyumba filled the position of Director of Finance and Administration in March 2001 and was appointed as an Executive Committee member in

August 2002. She is assisted by Gerard Grant, the ACDI/VOCA Financial Advisor.

### *Finance and Administration Department*

*Director Finance and Administration*  
*Advisor to Finance and Administration*

#### **Administration Unit**

*Staffed by:*  
Office Administrator  
Assistant Administer  
Personnel Officer

#### **Finance Unit**

*Staffed by:*  
Director of Finance  
Accountant -NASFAM  
Accountant - NSP  
Accountant - NORAD

### 2.3.2 Grant and Revenue Management

Starting with the 2000/2001 financial year, all revenues and grants were incorporated into a single NASFAM budget. The annual audit conducted by KPMG incorporates all funds including NASFAM, NSP, NORAD and other grants into a single annual financial report. The audit report is provided to all grantors.

NSP and NORAD share the bulk of development funding with 41% and 40% respectively. NASFAM and NASCOMEX, through their own revenues, will provide 19% of total funding in 2002/03. Funding share percentages change according to the number of donors and amounts of funds provided. With both PROSCARP and DANIDA dropping out in 2002, proportionate share of funding with the remaining three organizations increases. Despite this, NSP has a projected drop in budget support from 54% in 1999 to 41% in 2002. NASFAM increases its budget share from 6% in 1999 to 19% in 2002.

### **NASFAM Grants and Revenues** **Percent of Budget**

<b>Revenue Source</b>	<b>99/00</b>	<b>00/01</b>	<b>01/02</b>	<b>2002/2003 (projected)</b>
NSP	54	38	47	41
EU-PROSCARP (ended June, 2002)	7	4	2	0
DANIDA (ended May, 2002)	33	27	18	0
NORAD	0	27	19	40
NASFAM	6	4	14	19
Total	100%	100%	100%	100%

### 2.3.3 Employees

The number of NASFAM contracted staff –Head Office, Regional and Association -



stands at 85 including drivers and other support staff. With the closure of ten Agribusiness Development Centers (ADCs) this year there has been absorption of former NASFAM ADC field staff into Association management staff and the newly created regional offices. NASDEC field staff has declined from 36 to 22 (including 9 drivers) and the number of NASCOMEX staff in the field stands at six. The positions of Technical Service Advisors and Agribusiness Advisors have been eliminated.

Association staff still make up the largest portion of staff. Ten Association Managers and nine CPMMs are under NASDEC contracts but are cost-shared by the Associations. Association drivers are still under Head Office contracts to ensure security and vehicle control – all field vehicles are still under NASDEC control. Associations employ 189 managers and staff or 70% of the total NASFAM work force.

### NASFAM Corporate Staff

		<i>NASDEC</i>	<i>NASCENT</i>	<i>NASCOMEX</i>	<i>Total</i>
<b>Head Office</b>	Management	5	4	3	12
	Program Assistants	5	5	3	13
	Support Staff	11		2	13
<b>Regional</b>	Regional Staff	3		6	9
	Support Staff	6			6
	Construction	2			2
<b>Association (NASDEC)</b>	Managers	10			10
	Assist. Managers		2		2
	CPMM	9			9
	Drivers	9			9
<b>Totals</b>		<b>62</b>	<b>9</b>	<b>14</b>	<b>85</b>

### Association Company Staff

Managers	1
Data Entry Clerks	13
AFOs	42
Bookkeepers	12
Shopkeepers	32
Warehouse staff	25
Guards	56
Other	8
<b>Total</b>	<b>189</b>

#### 2.3.4 Volunteers

NASFAM has a long history of working with international volunteer organizations (Peace Corps, VSO, UN Volunteers, APSO and WUSC). In October 2000 Shay O'Byrne, an APSO volunteer from Ireland, joined NASFAM on a two-year contract as the advisor to the field audit team. Shay completed his contract and departed Malawi in September this year after doing a tremendous job. In June 2001 John Deane, a VSO volunteer from UK, joined NASFAM on a two-year contract as the ADA to the newly formed Karonga ADC to assist with setting up the rice-marketing program. John transferred to Zomba in January to



assist with a management improvement program with the Zomba Associations and to assume the role as the Regional Management Advisor. John Deane departed Malawi in June of this year after one year of service.



*Lesley Holst, a UN volunteer from Denmark,  
assists NASFAM with a new Gender Policy approved by the Board of Directors*

Two UN volunteers joined NASFAM in April of this year. Lesley Holst joined the Program and Policy Unit to assist with NASFAM's social agenda covering gender, child labour and HIV/AIDS prevention. Musa Id joined NASDEC as the Central Region Management Advisor. Both volunteers have contracts to September 2003.

## **2.4 The Audit and Financial Systems Unit -AFSU**

An annual audit of member Associations is a mandatory membership criterion. The AFSU Team is dedicated to the financial accounting health of member Associations and they work closely with HRD on accounting training and bookkeeping manual development. The team conducts Association financial reviews on a quarterly basis and prepares annual financial reports based on audited accounts for all associations. These reports are presented at Association annual general meetings.

The team also handles cash/accounts hand-overs, inventory control, bank reconciliations and problem solving tasks. They help prepare new Associations with start-up systems and monitor their progress to full systems. A key function is their hands-on support to the HRD for accounting training programs.

The team has been restructured on a regional basis with one auditor based at each of the three regional offices and a Unit Manager based at the Head Office. AFSU recruited eight finance/accounting interns from Polytechnic College in May to assist bookkeepers and auditors during the upcoming marketing season.



*Auditor working with MASFA bookkeeper*

## 2.5 Sustainable Agricultural Production Unit -SAPU

This is a new unit established in September of this year. Duncan Warren, a very qualified agriculturalist who has been the Marketing Operations Manager for several years under NASCOMEX, will manage SAPU. Duncan will focus on improved quantity and quality of core crops produced and marketed by member associations (groundnuts, cotton, paprika, rice, chillies, pigeon peas and soya beans. Member farmers will be accessed through a “staff and leader” structure that already exists in the field. Duncan’s main counterparts are the twelve Crop Production and Marketing Managers (CPMMs) based at every Association Management Center. In turn the CPMMs have over 40 Association Field Officers (AFOs) to supervise and monitor field programs.

The real strength of the program is the farmer-leader subcommittees for crop production that exist at every level – Association, chapter, market center and club. In addition, skilled and motivated farmers will be selected as model farmers and farmer-extensionists at key sites to implement special programs and to demonstrate technologies on-farm.

## 2.6 Association Development Support

Formerly Field Operations – Association Development coordinates all regional and field staff under contract with NASFAM who are responsible for the efficient running of all associations; either directly as contracted Association Managers; or indirectly as regionally based Management Advisors. The various components of Management Services are:

### Technical

- Regional Management Systems Advisors
- Contracted Association General Managers and Managers
- Some contracted Assistant Managers who are in training
- Contracted Association Crop Production and Marketing Managers

### Programs

- Rural Self Help Program (Road improvement, bridge repair)
- Association Equipment Revolving Fund (Computers/Motorcycles)
- Association Matching Grant Warehouse/Office Construction Program

## 2.7 Associations – The Foundation of NASDEC

### 2.7.1 Association Management Centers. (AMCs)

Twelve AMCs have been formed to provide efficiency and economy in the management of thirty-two associations and twenty-one chapters. Over 5,000 clubs and 400 market centers form the operational structure of these AMCs and require professional management to better serve the 95,000 farmer members.



*New “farmer built” AMC offices have replaced the old rented ADC locations*

### Northern Region

Association Management Center	Associations	EPAs
Karonga Rice Growers Association	One	2 EPAs
Rumphi Group of Associations	Five	5 EPAs
S. Mzimba Union of Associations	Four	4 EPAs

### Central Region

Association Management Center	Associations	EPAs
Kasungu Group of Associations	Four	4 EPAs
MASFA	One	6 EPAs
Lilongwe North Group of Associations	Three	3 EPAs
Lilongwe South Association	One	5 EPAs

### Southern Region

Association Management Center	Associations	EPAs
Ntcheu Group of Associations	Two	2 EPAs
BASFA	One	5 EPAs
Balaka Chilies Pre-Association	One	4 EPAs
Zomba Group of Associations	Four	4 EPAs

Namwera Group of Associations	Four	4 EPAs
ZISFA	One	8 EPAs

## 2.7.2 Association Expansion and Membership Status

Farmer and club numbers have leveled off this year with little increase over last year. There are 32 Associations and pre-associations (those still in the formation stage) with 5,105 clubs, 438 marketing centers, and 95,322 members. The geographic land area of NASFAM, represented by number of EPAs, is 61 EPAs (out of 160), up from 58 EPAs last year.

NASFAM realized a slight decline in the number of Associations during the re-engineering of the field structure. LESA changed from an Association to a Chapter under a new Association being formed in Lilongwe South. Nsipe and Kandeu formed a jointly owned company in Ntcheu. Nyambi Association joined up with the Namwera Associations to form a new company and Poka Hills Pre-Association, never able to develop economy of scale or adequate member support, was dissolved.

New crop marketing programs are a priority activity for NASFAM and the chili, cotton, coffee, rice, soya, paprika and groundnut programs are operating in 52 of the 61 EPAs (85%) involving a membership of 78,441 farmers – 82% of total membership - up from 32,000 farmers and 34% last year.

### NASFAM Membership Growth 1996 to 2002

Membership Levels	NASFAM 1996/97	NASFAM 1997/98	NASFAM 1998/99	NASFAM 1999/2000	NASFAM 2000/2001	NASFAM 2001/2002	% Increase from Previous Year
EPAs	12	24	36	46	58	61	5%
Farmers	18,759	33,821	50,088	67,580	93,542	95,322	2%
Clubs	990	1,776	2,551	3,663	5,162	5,105	-1%
MACs/GACs	105	196	257	344	453	438	-3%
Associations	12	17	23	31	34	32	-6%

## 2.7.3 Tracking Gender

NASFAM keeps track of gender in terms of participation and leadership. Over the past five years female membership has risen from 11,000 to 36,223 (2002), with an female membership percentage of 38%.

The role of women in leadership positions has improved steadily since NASFAM started. Women make up 58% of all Association Chairpersons, a position dominated by men for years and they make up 33% of NASFAM Association Representatives (to the NASFAM

General Assembly). Women clubs make up 21% of the total number of clubs registered under NASFAM.



*Women in rural Malawi are finding gainful employment at NASFAM Associations*

NASFAM has an equal rights policy on gender. Staff are trained to ensure that women are integrated into all NASFAM commercial activities. Women are encouraged to participate in association leadership functions (committees, sub-committees, general assemblies and chair positions), and the staff monitors activities to ensure that democratic and economic rights are enforced. Despite the “social conscience”, the real NASFAM theme on gender is: “Gender integration makes good business sense”.

## **2.8 Association Management Systems**

### 2.8.1 Management Improvement.

All NASFAM Associations are profit making, and while some are not necessarily financially strong, they have the potential to become so. The major constraint to viability and sustainability is management capacity. It is critical to long-term success that Association managers are well recruited, trained, and monitored. Highlights of the new program are:

- ☐ All Association Managers are recruited and contracted by NASFAM and approved for employment by the individual Association Boards.
- ☐ Managers are evaluated on achievement of annual targets.
- ☐ Managers are trained more thoroughly through the NASFAM training department and other training institutions
- ☐ Improved backup services through better-staffed Regional Support Teams. These teams provide management support, audit services, institutional support, and commercial support services.
- ☐ Recruitment of a new generation of NASFAM Association managers from the private sector

### 2.8.2 Planning and Budgets

Annual Work Plans and Budgets are prepared every year by Association Management and Committees and are approved at Association Annual General Meetings. Budgets must support the work plans, and are used to determine fee levels for services, salary levels for recruited staff, and expense levels for committees and office operations. Budgets and plans are mandatory for all Association Companies.

### 2.8.3 Annual General Meeting

Annual general meetings were first introduced during the 1996/97 fiscal year. Leadership elections are mandatory according to NASFAM and Association bylaws and all Associations must present their audited financial reports according to law.

### 2.8.4 Association Performance

Performance is rated under several categories:

- ☐ Fiscal bottom line
- ☐ Commercial program implementation
- ☐ Management and controls
- ☐ Member participation

The table below (see attachment for more details) illustrates fiscal performance. All Associations have made a surplus every year for the past five years, and this year is no

exception. A major cause of concern is the increase percentage of operational expenditure to total income of 73% this year as compared to 64% last year. The collective surplus of K18.83 million (\$250,000) is significantly higher than last year's \$114,000. All amounts shown below are Association funds and members' equity.

### **Association Income and Expenditure for the 2001/2002 Financial Year**

<b>Association</b>	<b>Total Income (MK)</b>	<b>Expenditure (MK)</b>	<b>Surplus (MK)</b>
Henga	1,467,467.00	499,597.00	967,473.00
Kasitu	1,044,280.00	531,671.00	512,609.00
Nkhamanga	1,282,869.00	570,464.00	712,405.00
Hewe	461,994.00	274,748.00	187,246.00
Joka	458,336.00	206,890.00	251,446.00
Lwasozi	431,806.00	230,594.00	201,212.00
Elangeni	875,620.00	300,915.00	574,704.00
Champhira	589,208.00	208,726.00	380,482.00
Chipala	2,019,814.00	1,322,108.00	697,706.00
Chamama	1,311,162.00	715,419.00	595,743.00
Chulu	1,688,307.00	950,071.00	738,236.00
Lisasadzi	922,530.00	581,862.00	340,668.00
Mchinji	8,659,253.00	8,398,369.00	260,883.00
Chigonthi	384,128.00	178,416.00	205,712.00
Chiwamba	430,526.00	230,287.00	200,239.00
Nyanja	860,285.00	568,764.00	291,522.00
Kandeu	718,842.00	600,835.00	118,007.00
LESA	553,936.00	107,399.00	446,537.00
Nsipe	803,878.00	612,286.00	191,591.00
BASFA	10,615,016.00	8,985,118.00	1,629,898.00
Balaka Chillies	1,321,728.00	1,128,203.00	193,525.00
Ntiya	773,100.00	450,167.00	322,932.00
Nyambi	637,639.00	395,920.00	241,719.00
Katuli	754,634.00	524,157.00	230,477.00
Masuku	1,234,806.00	840,281.00	394,524.00
Ngwelero	576,603.00	554,092.00	22,511.00
Dzaone	1,186,897.00	1,118,345.00	68,552.00
Thondwe	638,634.00	512,032.00	126,602.00
Namadzi	323,551.00	218,358.00	105,193.00
Zikometso	12,153,898.00	7,463,585.00	4,690,312.00
Paprika	00	00	00
Karonga	14,683,375.00	11,804,463.00	2,878,912.00
<b>TOTAL</b>	<b>69,864,122.00</b>	<b>51,084,142.00</b>	<b>18,779,578.00</b>

## **2.9 Club and MAC Strengthening**

During the first year of operation, field staff concentrated on the 20 target clubs in each EPA and provided hands-on training and problem solving services. But in late 1996 due to increasing demand, it was decided that these clubs would form the core body for the



expansion of services to include all motivated clubs within selected EPAs. This change in strategy paved the way for association formation that took place in 1997. The number of clubs has grown from the original 200 clubs in 1996 to 5,105 clubs this year.

During this expansion phase - which is still going on - clubs were organized into Marketing Centers (MACs) with elected committees - usually one or two representatives per club with five to ten clubs per MAC. These MACs formed the critical centers for the implementation of field-level commercial services (transport, inputs, training, and communication) carried out through volunteer farmer member committees.

## 2.10 Field Training

Association Field Officers have replaced NASFAM funded Technical Service Advisors (TSAs) and are charged with the three main tasks of institutional development and capacity building, commercial operations, and communication. Crop extension is a fourth task that has been added on this year. All AFOs file monthly reports and the MIS Unit in NASCENT is responsible for all field data. During this year, the field staff has initiated 5,359 training and business meetings involving 131,589 participants. Women attending these sessions represent 33% of the participants.

<i>Meeting Type</i>	<i>Meetings Held</i>	<i>Participants</i>
Association Committee Meetings	392	4,979
MAC training and business meetings	2,416	65,321
Club training and business meetings	1,613	44,592
Other (Field Days)	938	16,697
Total	5,359	131,589



*A typical market center meeting led by the Chairperson and assisted by the AFO.  
More than 2,400 such meetings take place every year.*

## 2.11 Matching Grant Program- Association Warehouse and Office Construction.

- ❑ **Market Centers:** Sponsored through EU-PROSCARP, the program started with the construction of eleven market centers in Mulanje that were completed in 2000. The program which ended in June this year constructed a total of 24 market centers:
  - Mulanje 11



- Balaka 7
- Rumphi 6

- **Association Office/shop.** Originally sponsored through DANIDA and now under NORAD, NASFAM has long-term plans to construct an office-shop-warehouse combination at each Association location. Each structure is comprised of an office/conference room, farm supply shop, and warehouse that can double as a training venue in the off-season. To date, fifteen of these structures have been completed:

- Ntcheu 2
- Namwera 3
- Kasungu 4
- Rumphi 5
- Thondwe 1 (3 more under construction)

- **Warehouse Construction:** Sponsored through NORAD, these large warehouses are planned for regional locations and some Group Association locations. Progress to date:

- **Mchinji** – Construction completed and ready for the installation of groundnut grading equipment
- **Lilongwe** – The site has been selected for this HO facility.
- **Mulanje** – Construction completed for the chili export business
- **Karonga** – Site selection ongoing; construction scheduled for January 2003



*The new Zikometso warehouse in Mulanje is one reason why NASFAM is the Birdseye Chili Pepper leader in Malawi*

### 3.0 NASFAM Center for Development - NASCENT

The NASFAM Center for Development Support (NASCENT) has three Program Units for Human Resource Development (HRD), Policy and Programs (PPU), and Management Information Systems (MIS). While most of their programs are designed specifically for NASFAM farmers and Associations, NASCENT represents all smallholder farmers. It is our intention that through our training programs, media programs, vernacular newsletters and representation at all smallholder related forums, we positively advocate for all farmers, and all non-affiliated farmers will become familiar with NASFAM concepts and benefits, creating eventual demand for further expansion.

#### 3.1 Programs and Policy Unit

To complement the main field activities, and to reach all smallholder farmers, especially those who are not within NASFAM areas of operation, NASFAM provides news and information services, serves all farmers in a representational capacity, and is very proactive on advocacy and policy issues.

**NASFAM's *Titukulane* Newsletters.** Over 6,000 newsletters are published every quarter in three languages (English, Tumbuka and Chichewa). The content of the newsletter has been adapted to new initiatives over the past year and is now a multi-crop, agribusiness publication that encourages income generating activities and targets progressive and motivated smallholder farmers and their club/associations. The newsletter is issued to the following client groups:

Target Clients	Distributed by
NASFAM Member Clubs	Through Associations
NASFAM AMC Centers	NASFAM
Non-members	Through AMCs and MAI offices
MAI Field Staff and Officers	Through ADD/RDP/EPA
Leading Agencies/Industry	Through NASFAM HO
Donor/Development Community	NASFAM HO
Language	Number
English	1,000
Tumbuka	1,000
Chichewa	<u>4,000</u>
Total	6,000

**Bulletins.** Crop bulletins are a single page, two-sided mini-newsletter that is prepared quickly and distributed in a timely manner to farmers producing and marketing specific crops such as groundnuts, chili, rice or cotton. Its main intent is to provide farmers with production information and market news.

**Radio Programming.** NASFAM radio programs target all farmers in Malawi. We have

increased the use of the radio for educational and informational programs since radio is the main source of information for rural farmers and has a much wider audience than newspapers and newsletters. Radio has been made a priority as NASFAM moves into new crop areas and expands into new areas of operation. Radio programs are prepared and aired twice a month under the auspices of the Agriculture Communications Branch of MOAI.



*The First Smallholder Gender Awareness Conference  
is a good example of NASCENT's advocacy role*

**Promotion and Publicity.** Promotion and publicity is conducted mainly through the radio and newspapers in a professional manner with the aim to generate public knowledge of the objectives of NASFAM and its members. Success stories from clubs, associations and from national programs are emphasized. Articles have also been prepared for regional and international trade magazines to generate interest in commercial collaboration with NASFAM and to promote Malawi's agricultural products (e.g. coffee, spice/herbs).

Linkage with private sector service providers is encouraged for a variety of reasons including promotion, collaborative projects, and mutually benefiting advertising. All *Titukulane* newsletters, for example, have private sector advertising that defray part of the publishing cost.

#### Promotional Linkages with Private Sector

- Fertilizer demonstration plots by companies at Association sites
- Best Club Awards with Rab Processors Ltd., Great Lakes Ltd., Chemical and Marketing (Malawi), and Noordhaven (Holland)
- Business Excellence Award for an Association sponsored by Agricultural Trading Company (ATC) Ltd.

**Policy, Advocacy and Representative Services.** NASFAM has been invited to participate with several institutional bodies at the national and regional levels. The main purposes of such representation is to present and defend smallholder views and issues, especially those concerning commerce and trade, donor development programs, and human

resource development. Special attention is paid to legal and other rights of member clients and the resolution of any infraction on these rights. Problem solving and pro-active advocacy of smallholder empowerment, especially where it concerns gender and environmental issues, is critical to maintenance of farmer confidence in the NASFAM concept. Along with staff, association leaders and members of the Board of Directors, we are playing an ever-expanding role in representing membership.

**NASFAM staff and farmer leaders participate on the following committees:**

- Malawi Environmental Endowment Trust (MEET)
- NGO Food Security Network (SCF-USA)
- Cotton Development Committee/Cotton Council (MIPA/MAI)
- Agricultural Civic Organizations Network (NDI)
- Agriculture Thematic Group on the Poverty Reduction Strategy Paper (PRSP)
- Malawi Chemical Control Board

**NASFAM is a member or collaborates with several key organizations:**

- Malawi Export Promotion Council
- Malawi Chamber of Commerce and Industry
- Malawi Investment Promotion Agency
- Natural Resources College, Board of Trustees
- Paprika Association of Malawi
- Horticultural Development of Malawi
- ICRISAT groundnut research
- MUSSCO
- ARET

### **3.2 Management Information Services Unit**

A key project activity is to establish linkages with data sources through e-mail, www, publications and inter-agency data systems, and to have ready access to information in demand. Systems are in place to assure two-way flow of information between field and NASFAM and with time and further education the system will become truly effective. A comprehensive data storage-retrieval and reporting system is being established and will greatly expand NASFAM capabilities in management and marketing systems.



*This Data Entry Officer for Lilongwe South Association  
is busy entering membership data for the Association*

### Data Bases and Informational Reports

- Membership data
- Crop marketing reports
- Fertilizer Source/Price Bulletin (bi-monthly; August to November)
- Commodity Source/Price bulletin (May to November)
- Quarterly and Annual Progress Reports
- Program tracking reports

## 3.3 Human Resource Development Unit

This unit is responsible for the implementation and/or coordination of training courses and workshops following a rolling Three-Year Training Plan based on the training needs assessment of 2001. Twenty-three NASFAM courses took place during the 2001/2002 program year with 568 participants (25% female) focusing on Association leadership and field staff training.

The very popular **Adult Literacy and Numeracy Training Program** has been completed this year training 12,824 member farmers in over 400 five-month long courses in all three regions. Of this number, 10,816 or 84% have been female.



*The NASFAM training unit training farmers in strategic planning*

## Internal Training Programs

### October 2001– September 2002

#	WORKSHOP TITLE	TARGET GROUP	LOCATION	DATES	TOTAL TRAINED	M	F	REMARKS
1.	COMMITTEE STRENGTHENING TRAINING	NEW COMMITTEE MEMBERS	LILONGWE	Nov. 19-23	40	30	10	
			BALAKA	Nov. 26-28	23	19	4	
			KASUNGU	DEC. 11-13	40	38	2	
			SOUTH MZIMBA	DEC.	35	27	8	
			RUMPHI/MZUZU	DEC.	32	26	6	
			MULANJE	JAN 2-22	29	17	12	
			KARONGA	MAR 11-13	26	25	1	IMPROVE GENDER RATIO
			MCHINJI	MARCH 20	14	11	3	
			NAMADZI	MAY 9/10	15	11	4	
2.	GENDER AWARENESS TRAINING	GENDER SUB- COMMITTEES	MZUZU	Nov. 28	31	12	19	
			KASUNGU	Nov. 14	20	7	13	CHIWAMBA & ABSENT
			ZOMBA	DEC.12	45	21	24	
3.	AFO INDUCTION COURSE	ASSOCIATION FIELD OFFICERS	NRC-LILONGWE	FEB 4-8	37	37	0	
4.	BASIC RETAIL MANAGEMENT	ASSOCIATION SHOP KEEPERS	MEDI -MPONELA	FEB 11-14	27	10	17	
5.	BOOKKEEPING TRAINING	ASSOCIATION BOOKKEEPERS		APRIL 8-12	11	6	5	
6.	MARKET CENTER TRAINING	ALL MARKETING COMMITTEES	LILONGWE-S	APRIL 29	15	13	2	
			LILONGWE -N	MAY	25	20	5	
			RUMPHI	MAY	15	12	3	
			SOUTH MZIMBA	MAY	19	14	5	
			KASUNGU	MAY	14	12	2	
			BASFA	MAY 6/7		13	12	
7.	DATA ENTRY	DEOS	BUNDA COLLEGE	AUG 19-21	12	1	11	
8.	AFO TRAINING	AFO	NRC	SEPT. 9-13	43	43	0	
<b>TOTALS</b>					<b>568</b>	<b>425</b>	<b>143</b>	
PERCENTAGES					100%	75%	25%	

### EXTERNAL TRAINING WORKSHOPS (NORAD Funded)

#	NAME OF PARTICIPANT	WORKSHOP TITLE	VENUE	DATES	T	M	F
1	PETER NJIKHO	STRATEGIC PLANNING	MIM-LILONGWE	OCT.	1	1	0
2	SPENCER TSITSI	STRATEGIC PLANNING	MIM-LILONGWE	OCT	1	1	0
3	TIBONGE CHITHITI	FLEET MANAGEMENT	ESAMI-ARUSHA	OCT	1	1	0
4	MCLUWENI KACHIPANDE	INTERNAL AUDITING	ESAMI- MBABANE	DEC	1	1	0
5	G. KAMALIZENI M. NAMACHOTSA N. JENTALA C. T CHONGWE	SCC-STUDY CIRCLE CONCEPT	LILONGWE HOTEL	FEB 12	4	3	1
6.	W. CHITEDZE	PURCHASING AND STORES COURSE	LILONGWE	FEN 18	1	1	
7.	ALL NEW LITERACY TRAINERS	ADULT LITERACY INSTRUCTORS	MZIMBA	APRIL 8 – 12	34	23	11
8	MASFA AFOS ,LEADERS	GROUNDNUT GRADING COURSE	ICRISAT-CHITEDZI	APRIL 16-18	26	25	1
9.	AARON LIKUPE	SME WORKSHOP	SEEP- TANZANIA	MAY 27- JUNE 1	1	1	
10	AARON LIKUPE, DYBORN CHIBONGA	FORMATIVE RESEARCH PROCESS	ZAMBIA, TANZANIA	JUNE 17- 28	2	2	
<b>TOTAL</b>						<b>72</b>	<b>59</b> <b>13</b>



## 4.0 NASFAM Commodity Marketing Exchange -NASCOMEX

### Marketing Operations

#### 4.1 Export Marketing of Malawi Birdseye Chilies

##### 4.1.1 Zikometso Association

**Background.** Now in its fifth year of operation, the Zikometso Association has three marketing zones covering nine EPAs - each zone has its own committee and general assembly. About 260 clubs and 50 marketing centers (MACs) create the backbone of the market structure and the 5,600 farmer members produce more than 80 mt of chili in the Association area of operation. The Association is managed through its own Board of Directors and has its own independent management structure.

The Association manager and the staff are on the way to achieving two major objectives this coming season: increase volumes and decrease operational costs.



Workers at the old Zikometso warehouse prepare chili for drying

#### 2002 Season to date:

- ❑ Seed distribution was completed in October 2001 and the new crop looked very good in terms of quality and quantity. Production volume was earlier estimated to reach 80 metric tons.
- ❑ NASCOMEX has signed forward contracts for ten containers (70 mt) with its European agent. Market appears very strong and the prices are good (ave. \$2,600 mt).

- ❑ Marketing started on March 28. Competing local companies seem to have re-appeared after a long absence and the first price of K 60/kg had to be increased to K90/kg. It is unclear what is creating renewed interest in the crop and what is driving up the price.
- ❑ Purchases to date are 71.245 mt bought at a farm gate price of K4.9 million (\$62,549). Sales to date are K 11.5 million from nine exported containers (\$147,000).

### **Zikometso Chili Marketing - 2002 Season (Started March 2002)**

<b>Crop</b>	<b>Purchases to Date</b>	<b>Purchase Value</b>	<b>Sales Value</b>	<b>Sales to date</b>
Chili	71,254 kg	K 4,878,885	K 11,479,301	K 11,479,301

#### **4.1.2 Balaka Chili Program**

**Background.** A new office was opened in Balaka last year at the BASFA premises to kick-start a new chili marketing operation in Nankumba/Chilipa and Ntaja areas (each area has become a Chapter). A Crop Production and Marketing Manager has been assigned to BASFA to manage the operation with two AFOs assigned to each chapter. Clubs and Chapters were formed in time for the distribution of seed – sufficient to produce over 50 metric tons of chili.

#### **2002 Season to date:**

- ❑ A warehouse was rented near the BASFA office and the warehouse clerk has been trained. Most training of staff and leaders has been conducted through NASFAM's farmer-to-farmer program with trips to Zikometso. Experienced Zikometso staff has also traveled to Balaka to conduct inspections and provide on-site training.
- ❑ Marketing started slowly in May with the price set at K50/kg. Unexpected competition necessitated the increase in price to K80/kg.
- ❑ Total volume purchased to date is 11,400 mt valued at K806,610. Balaka has sold one container at K 1,286,250 and will share a second container with Zikometso on the last shipment. All sales use the same forward sales contracts that NASCOMEX negotiated for Zikometso.

### **Balaka Chili Marketing - 2002 Season (Started May 2002)**



Crop	Purchases to Date	Purchase Value	Sales Value	Sales to date
Chili	11, 455 kg	K 806,610	K 2,021,250	K 1,286,250

## 4.2 Cotton Production and Marketing

**Background.** The Balaka Area Smallholder Farmers' Association (BASFA) was formed in 2000 with a club and farmer membership today of 200 and 3000 respectively. The first two seasons focused on direct delivery programs with farmers achieving “ginners gate” prices that were 20% higher than farmgate prices.

### 2002 Season To Date

- ❑ Marketing started late this season in June with delayed announcements of prices by the two ginning companies. Significant volume was lost to competing traders speculating on future price gains (wrongly as it turned out).
- ❑ Prices are lower than last year with the Great Lakes ginner buying at K15/kg (compared to K17/kg last year). ADMARC was only slightly higher at K16/kg. BASFA announced its farm-gate price at K14 leaving an extremely small margin with which to operate.
- ❑ Despite the low price, NASCOMEX was able to negotiate decent sales contracts with the two ginning companies, decreasing costs significantly by including field collection in the contracts. Great Lakes agreed to pre-finance 100 metric tons saving BASFA interest costs and decreasing the strain on crop finance funds. Both companies provided adequate woolpacks preventing shipping delays and theft from “cotton hills”.
- ❑ Low prices, increased competition and a slow start put a serious dent in achieving the 1000 mt goal this season. The season's total of 526 mt has been procured at a value of K7.3 million and has been sold to both ginning companies.

### Cotton Marketing – 2002 Season (Started June 2002)

Crop	Purchases to Date	Purchase Value	Sales Value	Sales to Date
Cotton	526,145 kg	K 7,298,614	K 7,883,008	K 7,186,976



*Cotton bales are loaded by farmers for the trip to the ginnery*

### 4.3 Groundnut Marketing

**Background.** The Mchinji Area Smallholders Farmers' Association (MASFA) was founded in March 2000 with 206 clubs and 4,024 farmer-members operating nine market centers. Over 183 metric tons were marketed the first pilot year in 2000 with a second "bonus" payment of K 660,000. This bonus created considerable confidence in the Association style of marketing and membership grew considerably. Tonnage increased to 427mt for the 2001 season with an excellent first payment of K30/kg. Today MASFA boasts 17,000 farmer members located in 800 clubs operating 40 market centers.



*Farmers in Mchinji wait in line to sell their groundnuts to their own market center*

#### 2002 Season To Date

- ❑ MASFA has just completed the construction of a large warehouse capable of storing 2000 mt of groundnuts. It also has capacity for the installation of grading equipment scheduled for next year. This will allow MASFA to grade and export groundnuts and seek better markets in RSA.
- ❑ NASCOMEX has negotiated a package contract with Rab Processors of Limbe that includes pre-finance, a 1000 mt guarantee purchase, a supply of bags, and a dollar based contract at \$350. The main drawback is the 22% drop in price from \$450 last year.
- ❑ A key strategy is the link to the groundnut producing areas of Kasungu and Lilongwe South. Crop finance has been provided to these Associations and they

delivered to Rab as a part of the contract.

- A significant drop in international and regional prices has had serious negative affects on the industry this year. MASFA's farm gate price of K20/kg - a big drop from the K30/kg last season – has discouraged farmers from selling and many are holding their product hoping for a better price – probably in vain.
- The end-of-season procured volume is 343 mt valued at K6.8 million – farm gate (\$91,000).

### 2002 Groundnut Season (Started in June)

Crop	Purchases to Date	Purchase Value	Sale Value (est)	Sales to date
Groundnuts	343.707 mt	K 6,867,892	K 8,936,382	K 8,622,570
Soya	57.370 mt	K 694,312	K 924,615	K 924,615

## 4.4 Rice Marketing - Karonga

**Background.** The Karonga pre-association (KASFA) was founded in June 2001 with its first pilot rice marketing program starting in July of that year. By August 2001, 120,617 kg of paddy were procured and milled, and by the end of last year, 64,000 kg of long-grain polished rice and 9,550 kg of broken rice were delivered to the care of NASCOMEX Marketing Operations Department for bulk and packaged sale.

In January 2002 NASCOMEX started the breakdown packaging of 11 metric tonnes of Kaporo Kilombero rice into 1, 2 and 5 kg retail units and started wholesale operations with key high-end retailers in Lilongwe including Bisnowaty, Foodworth, Seven-Eleven, and Tutlas. This pilot effort proved highly successful and 25% more profitable and the program will expand greatly this coming season.

### 2002 Season to date:

- The 2002 market season started in June with a target of 500 mt paddy. Constraints on crop finance and storage has reduced this volume to 342.804 mt.
- The main concern this year was the closure of the privately owned mill that was used last year. A contract with the Kambwe mill was negotiated and test runs indicated that milling output and milling quality was better than last year.
- KASFA has procured its own rice-milling equipment under the NASFAM Venture Fund – repayable over three years. The mill/warehouse construction has been scheduled for January 2003, too late for this season.
- Packaging equipment has been procured and delivered to Karonga. All retail packaging is being done in Karonga and delivered to Lilongwe on a schedule based on sale demand. Rice will be kept in paddy form until required.

- ❑ NASCOMEX negotiated a 100-mt deal with Blantyre Milling that has moved a significant portion of the rice in a timely manner. Over 70 metric tonnes have been delivered to date.
- ❑ To date over 342 mt of paddy have been procured at a farm gate value of K 4.8 million. This represents 200 mt of polished rice worth over K 9.0 million wholesale (\$120,000).

### 2002 Season – Kilombero Rice

Crop	Purchases to Date	Purchase Value	Sale Value (est)	Sales to date
Kilombero Rice	342,804 –kg paddy	K 4,799,256		
	205,682 kg – Est. clean		K 9,255,690	K 3,1449,935

#### 4.5 Paprika – South Mzimba; Kasungu and Rumphi

**Background.** In June 2001 NASFAM signed its first contract with Cheetah Malawi Ltd. to buy and sell all the paprika in the South Mzimba area. The season ended with 27,447 kg of paprika sold to Cheetah valued at K 1,803,072. South Mzimba farmers also marketed 35.5 metric tons of high quality soybeans through the Association Union with a buy/sell margin of K3/kg. Total sales for soya beans that year exceeded K548,107

The market season started in July this year. In addition to South Mzimba Union, nine additional Associations in Kasungu and Rumphi also have paprika buying contracts with Cheetah Ltd this year. Soya also did well this year for those areas.

#### 2002 Season to date

- ❑ Paprika is the main secondary crop for the eight Associations in Rumphi and Kasungu where new office/warehouse structures have been constructed for each Association.
- ❑ North Viphya Association, formerly at a disadvantage with its emphasis on coffee, has now re-launched itself as the main paprika buyer in Mphompha EPA under contract with Cheetah. New market depots are being constructed with assistance from EU-PROSCARP.



*Paprika marketing has expanded from one Association to three*

#### **2002 Paprika Season (Started July 2002)**

<b>Crop</b>	<b>Purchases to Date</b>	<b>Purchase Value</b>	<b>Sale Value (est.)</b>	<b>Sales to date</b>
Paprika	81,772 kg	K3,147,086	K 4,922,674	K 4,008,182

#### **4.6 Soya Marketing**

The season started in May 2002. Soya is fast becoming NASFAM's major secondary crop with paprika a distant second. During the 2001 season, four Associations marketed a total of 61.8 metric tons worth K939,934. This year started slow but steady with over 264 mt of soya marketed to date with a sales value of K 4.3 million (\$55,000).

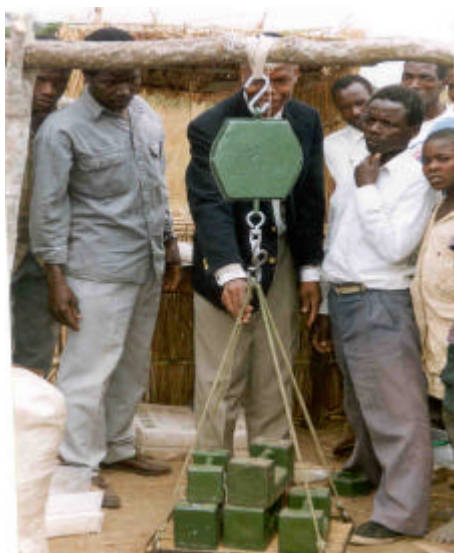
#### **Soya 2002 Season (Started May 2002)**

<b>Crop</b>	<b>Purchases to Date</b>	<b>Purchase Value</b>	<b>Sale Value (est.)</b>	<b>Sales to date</b>
Soya Bean	264,804 kg	K 2,892,553	K 4,236,864	K 3,936,156

#### **NASCOMEX Crop Marketing Summary March 1, 2002 to September 30, 2002**

<b>Crop</b>	<b>Volume (kg)</b>	<b>Purchase Value (Kw)</b>	<b>Sales Value (Kw)</b>
Zikometso chili	71,254	4,878,885	11,479,301
Balaka chili	11,455	806,610	2,021,250
BASFA cotton	526,145	7,298,614	7,883,008

MASFA groundnuts	343,707	6,867,892	8,936,382
KASFA rice	342,802	4,799,256	9,255,690
Paprika (Mzimba, Rumpi, Kasungu)	81,772	3,147,086	4,922,674
Soya	264,804	2,892,553	4,266,156
<b>Totals</b>	<b>1,641,939</b>	<b>30,690,896</b>	<b>48,764,461</b>
		<b>\$409,211</b>	<b>\$650,192</b>



*Public scale sizing is both transparent and good business for NASFAM market centers*

## 5.0 NASCOMEX – Business Operations

### 5.1 Bulk Fertilizer Procurement and Sales

**Background - Results for the 2001 sales season:** Fertilizer is usually sold for cash during the months of June to October; and sold on credit during the months of October to December. The results of the fertilizer program for 2001 were:

- ❑ 3,500 metric tons of fertilizer was purchased at a value of K77.35 million (or \$1,184, 265).
- ❑ Savings off local retail prices 8.1% for a total savings of K6,278,663 or \$96,594
- ❑ Transport was free
- ❑ 22 Associations earned commissions of K1.2 million or \$18,734.

NASFAM Associations have tendered out their fertilizer demands for the past four seasons. Local suppliers compete for both cash and credit orders and farmers benefit from discounts and free delivery. Earnings to Association are in the range of 1% to 3% of total sale value and prices to farmers have been a modest 10% lower than local retail options.

#### NASFAM Imports- 2002/03 Season to Date

This year is a major turning point for NASFAM as NASCOMEX takes the lead in direct importation of fertilizer for the first time. The season started in June 2002 with the first delivery of NASCOMEX fertilizer to Nsipe Association warehouse followed by deliveries to Associations in the Central and Southern Regions.

- ❑ NASCOMEX has negotiated a contract with a South African company (PJC Ltd.) and is working with a Malawi partner company (Rab Processors) for the direct importation of an estimated 9,500 mt of fertilizer on consignment terms.
- ❑ This very large pilot effort is targeting all 32 Associations to sell through cash (July to September) and credit systems (October to December).
- ❑ NASCOMEX has provided competing fertilizer companies the opportunity to buy-in to the program but without any takers.
- ❑ NASCOMEX Business Operations staff worked with a consultant in June to develop guidelines for both head office distribution and sales systems as well as Association fertilizer management systems. These guidelines have been instructed to Association management and staff through one-day hands-on training sessions at every Association AMC.
- ❑ Since the start of the season (June 2002) to date, more than 3880 mt (77,600 bags) of fertilizer (CAN, Urea, 23:21:00, and D Compound) have been imported and delivered to Associations at a purchase value of K 81,286,000 or \$1,008,618. Sales to date have exceeded 2,406 mt or K50 million (\$633,000), which is exceptional considering that it is mostly cash sales.



<b>Fertilizer</b>	<b>Kwacha/mt</b>
Tonnage	3880 mt
Total import value	K 81,286,000
Total sales to date	K 50,407,438
Association Gross revenue	K 962,400

## 5.2 Association Farm Supply Shops and Central Supply

**Association Farm Supply Shops.** Twenty-six new shops started operations this year bringing the total number of shops to thirty-four. NASCOMEX has become the main supplier of shop commodities including seed, treadle pumps, chemicals and hardware items. Gross sales revenue of non-fertilizer items this fiscal year are K18,280,664 (\$244,000).

<b>Association</b>	<b>Shop Location</b>	<b>Start-up Date</b>
Nsipe	Nsipe, along the M1	September 1998
Kandeu	Kandeu EPA	November 1998
Nkhamanga	Bolero Boma	February 1999
Henga Valley	Mhuju Boma	February 1999
Dzaone	Dzaone EPA	December 1998
Chipala	Gogode	January 2001
Joka/Lwasozi	Embengweni	April 2001
Elangeni	Mabulavo	July 2001
Champirira	Jenda	July 2001
Hewe	Hewe EPA	September 2001
Kasitu	Mbwengu EPA	September 2001
Nyanja	Nkoma Turn-off	November 2001
Masuku	Masunku EPA – main road	January 2002
Katuli	Katuli EPA	January 2002
Mtiya	Namwera –Main Office	January 2002
MASFA	Kamwendo	March 2002
Lisasadzi	Lisasadzi – on M-1	March 2002
Namadzi	Namadzi – on Blantyre Rd.	January 2002
Thondwe	Thondwe market	January 2002
BASFA	Balaka town	March 2002
	Chilipa	September 2002
	Phalula	September
Zikometso	Mulanje	April 2002
	Phalombe	April 2002
	Thyolo	April 2002
Nyambi	Nyambi Town	May 2002
Ngweleru	Ngweleru	May 2002
Lilongwe S.	Mpenu	June 2002
	Nyanja	June 2002
Chamama	Chamama	June 2002
Chulu	Chulu	June 2002
Lilongwe N.	Ukwe	September 2002
	Chigonti	September 2002
	Chiwamba	September 2002



NASCOMEX provides the following commercial services to Associations with retail operations:

- ☐ Consignment stock contracts with seed and supply companies
- ☐ Consignment stock program for fertilizer – cash and credit systems
- ☐ Direct order systems for the payment and delivery of goods through HO (hardware, consumables, chemicals)
- ☐ Central supply service through HO for bulk commodities (treadle pumps)
- ☐ Stock transport through the NASCOMEX fleet



*Association farm supply shops have grown from eight to thirty-two in one year*

### 5.3 Fleet Management

NASCOMEX manages two commercial trucks of four and seven tonnage. As of September 30, 2002, after one-year of operation, the two-truck fleet generated K 3.4 million (\$ 45,000) in gross revenues and earned a net surplus of K 1.5 million (\$20,000).



### 5.4 Bulk Transport Contract Management

Bulk transport contracts have exceeded K 43 million or \$583,000 this year. Associations have earned commissions of K9.7 million (\$129,000) and NASCOMEX received K 1.3 million in revenue (\$17,000). A full-time employee manages the extensive tracking that is

required for this service, and three staff work in the field to assist farmers in the preparation and verification of transport documents. In addition to transport contracts, NASFAM also provides group blanket insurance coverage for goods in transit, storage, and fire/theft. Cost of the policy is shared by all the participating Associations.

## 6.0 NASFAM Donor Support Programs

In addition to NSP support, NASFAM has been receiving grants from several sources: EU-PROSCARP, DANIDA and NORAD. As of May 2002, all DANIDA aid has ceased due to inter-government issues, and PROSCARP completed its contractual arrangement with NASFAM in June 2002 as planned after three productive years of collaboration. Each grant or loan is accounted for according to each donor's conditionalities, and where special requirements exist, is monitored for compliance.

### 6.1 EU-PROSCARP Grant (now closed)

This five-component, K5.3 million grant started in October 1999 and finished in June 2002. The program was first extended in July 2000 for twelve months with an additional K 2,630,000 (first extension ended in June 2001). An addendum was signed in October 2000 for K 1,412,000 to continue construction of cotton marketing depots in Balaka. The second and last extension was signed in 2001 to complete market centers in the Rumphi area.

<u>Activity</u>	<u>Funding</u>
• Crop Finance Fund (original)	K1.000 million
• LESSA Input Loan (Seeds and treadle pumps)	K .622 million
• Village Storage Depots	K 2.685 million
July 2000 extension	K 1.000 million
October 2000 addendum	K 1.412 million
• Land-use Management Advisors (3)	K 1.000 million
July 2000 extension	K 1.000 million
• Sprayers (July extension)	K .630 million

### 6.2 DANIDA Grant (now closed)

DANIDA funding ceased as of the 31<sup>st</sup> of May due to national level bi-lateral issues. NORAD has continued some of the DANIDA programs critical to the NASFAM operation. The grant had four program themes:

	<b>Actual</b>
	<b>To May -02</b>
	<b>US\$</b>
1.Programme Expansion (including equipment)	276,042
2.Training and Material Development	276,616
3.Association Office Construction	291,669
4.Crop Finance Working Capital (Revolving Fund)	<u>106,095</u>
Total	US\$ 950,373

### 6.3 NORAD Grant

NASFAM entered into an agreement with NORAD effective 1 October 2001 for support to four programmatic areas. Budget amounts are shown below and flow to December 2002 at which time a new contract is expected to start. Funding is in Norwegian Kroner - amounts are converted to US Dollars for the purpose of this report.

#### LOP

	<u>Budget</u> US\$
1.Human Resource Development	410,000
2.Material Support	450,000
3.Community Action	150,000
4.Commercial Programmes	250,000
5.Overhead Support	230,000
Total	US\$ 1,490,000

### 6.4 USAID: NSP Project Grant

USAID/NSP, managed by ACDI/VOCA, provides core funding and technical expertise under a contract arrangement with the NASFAM Board of Directors. The grant covers NASFAM's field audit team, administration, sustainable agriculture program, management information services and NASCOMEX start-up. The current NSP grant and contractual agreement has been extended for one more year and ends September 30, 2003.



*The NASFAM Annual General Meeting is financed through Association and NASFAM funds as they strive for sustainability*

## 7.0 Planning, Reporting and Monitoring

- 7.1 Planning, Monitoring and Reporting.** The planning, monitoring and reporting program for NASFAM is extensive. An annual strategic development-planning workshop is held once a year for top-level NASFAM management to review ongoing programs, plan for new initiatives, and develop new concepts. This workshop is supported by four follow-on management/regional staff meetings held periodically with NASFAM program managers to discuss operational and administration issues.

The NASFAM head office meets bi-weekly by company (NASDEC, NASCENT and NASCOMEX) to discuss assignments for the period and coordinate on-going activities. Each Regional office and Association management team also meets on a weekly basis to review progress and plan for the week's activities.

The NASFAM Executive Committee meets at least once a month and on a needs-be basis to form a consensus-based decision making process, to maintain effective communication, and to develop a personable and professional working relationship between NASFAM leadership and technical advisors. The Executive Committee is made up of the CEO, Executive Director of NASCENT, the General Manager of NASCOMEX and the Financial Director. The NSP Director also maintains a seat on the Committee.

Planning and reporting procedures at the Association level start with the development of the Annual Work Plan, now done in coordination with the Regional Support Teams. Association management also compiles Quarterly Action Plans that are reviewed and adjusted weekly. Association business reports are submitted monthly to NASFAM Head Office. NASFAM also prepares an Annual Work Plan, and progress reports on activities are prepared quarterly and annually.



*Quarterly Association Manager meetings are part of the planning, monitoring and evaluative process*

### **Planning, Reporting and Monitoring**

<b>Association Level</b>	Annual Work Plan and budget	Two weeks before Program Year
	Quarterly Action Plans	Oct-Dec/Jan-Mar/Apr-Jun/Jul-Sep
	Weekly Planning and Monitoring Meetings, w/Association Management	Held either Monday or Fridays
	Monthly Business Reports	Submitted first week of following month
	Monthly financial reports	Submitted first week of the month
	Committees meet monthly, Regional staff is a member of Committee	Monthly
	Association General Assembly meets Quarterly for activity planning	Four per year, every quarter
	Association Meets for AGM: Elections, Work Plans, Budget, Annual Report,	Annually – end of FY
	Annual Work Plans	To start October 1
	Quarterly Reports	Submitted first week of Jan, Apr, July, Oct
<b>NASFAM Office</b>	Annual Report	Oct - Sept; Submitted November
	Annual and monthly financial reports	FY start October 1
	Frequent Field Visits to Associations	Throughout the year
	Field Management Meetings	Four per year, every quarter
	Executive Committee Meetings	Weekly; needs-be basis
	Team members prepare individual Quarterly Report; assists Association in the preparation of their plans, budgets and reports	Every quarter,
	NASFAM Audit Team Audits Associations, trains bookkeepers, prepares annual report; team reports to committees	Every quarter, report is annual
<b>Board of Directors</b>	Board Meetings; GM reports	Four per year; every quarter
	Attend Association Meetings	As scheduled
	Review and Inspect new Associations	As scheduled
	Approve Auditor; receives report	End of FY
<b>NASFAM General Assembly</b>	General and Annual General Meetings. At AGM: Annual Work Plans and Budgets discussed; Annual Report and Annual Financial report reviewed, elections held	June and December